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Legislation paves way for 'cafeteria' health coverage

PROVIDENCE — The General Assembly has approved legislation that will require companies with 25 or more employees to offer a "cafeteria plan" through which employees could purchase health insurance on a pre-tax basis.

The legislation, which was sponsored in the Senate by Sen. Rhoda E. Perry of Providence and in the House by Rep. Eileen S. Naughton of Warwick, would require employers to offer an option that allows their employees to purchase their own health insurance before taxes are deducted from their salaries. It would not require any employer to contribute money toward its employees' health insurance

costs.

The two identical bills crossed their final legislative hurdles Friday with passage in the Senate and will now head to the governor.

Depending on the tax bracket of the employee, the option to purchase insurance before taxes could save the employee as much as 40 percent of the cost of the insurance.

"This is not a huge expense for employers, but it could save their employees a significant amount of money. For some, that savings might be the difference between going uninsured and having some health care coverage," said Senator Perry, a Democrat who represents District 3 in Providence. "And that small investment by

the employer is probably going to save the employer money in the end, since healthy employees are more productive."

Also called "Section 125" plans after the federal tax code that allows them to be deducted before taxes, "cafeteria plans" are named as such because some large employers offer a variety of services, like child care and life insurance, through them and allow employees to choose the ones they want. Only health care, however, would be required under this bill.

The only cost to employers, unless they choose to contribute to their employees' health plans, would be administrative costs associated with setting up the payroll deduc-

tion mechanisms. When Massachusetts adopted similar legislation (although the Bay State applied it to businesses of 10 employees or more), that cost was estimated to be about \$300 per employee.

"At a time when health care coverage is becoming more and more difficult to afford, we want Rhode Islanders to have every option available to them. Cafeteria plans are an alternative that will make sense for some employees and will save them money. Employers should allow their employees to take advantage of this tax break, particularly if they're not offering a health insurance benefit," said Representative Naughton, a Democrat who represents District 21.